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INTRODUCTION

The Office of Internal Audit performed an audit of McNichols/Goddard District, Wayne County FIA for the period May 1, 2002 through August 14, 2003. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. McNichols/Goddard District had 55 full time equated positions (FTE's) at the time of our review. McNichols/Goddard District provided assistance to an average 10,063 recipients per month during FY 2002, with total assistance payments of \$15,800,642 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the McNichols/Goddard District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	Safe and Controlled Documents
IRS Information	State Emergency Relief
CMIS/ASSIST	Client Processing
State Car Usage	Procurement Cards
Payroll and Timekeeping	Employment Support Services

EXECUTIVE SUMMARY

Based on our audit, we conclude that the McNichols/Goddard District's internal controls need improvement in order to provide management with reasonable assurance that assets

are safeguarded and transactions are executed in accordance with management's authorization. We found several instances of noncompliance with FIA policies and procedures and weaknesses in internal controls, which are detailed below.

DISTRICT RESPONSE

The management of the McNichols/Goddard District has reviewed all findings and recommendations included in this report. They indicated in a telephone conversation on November 13, 2003 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

Safe and Controlled Documents

Controlled Documents Inventory and Reconciliation (FIA-4351)

1. McNichols/Goddard District did not properly control blank documents. We noted that the district had Authorization Invoices (FIA-849), Official Field Receipts (FIA-3543), EBT Cards, and Bus Tickets and Transfers in the safe as of July 2003. The District had not prepared the Monthly Controlled Document Inventory and Reconciliation (FIA-4351) since December 2000. Accounting Manual Item 403 requires that the Monthly Controlled Document Inventory and Reconciliation be prepared to help ensure that misuse of controlled documents would be discovered on a timely basis.

WE RECOMMEND that McNichols/Goddard District prepare the Monthly Controlled Document Inventory and Reconciliation for all controlled documents.

Obsolete Controlled Documents

2. McNichols/Goddard District had obsolete Official Cashier's Receipts (FIA-3681), Blank Voucher Checks (FIA-1802) and Purchase Order/Invoices (FIA-2083) on

hand, which they were not controlling. Accounting Manual Item 403 requires that these documents be controlled, and gives instructions for the destruction of obsolete forms. Keeping obsolete forms on hand and not controlling them increases the risk of these forms being used inappropriately.

WE RECOMMEND that McNichols/Goddard District destroy the obsolete Official Cashier's Receipts (FIA-3681), Blank Voucher Checks (FIA-1802) and Purchase Order/Invoices (FIA-2083) in accordance with the instructions in Accounting Manual Item 403.

Safe Combination

3. McNichols/Goddard District did not change the safe combination when employees either retired or left for another position. Changing the safe combination when employees who knew the combination leave employment helps to reduce the risk of unauthorized access to cash and other negotiables stored in the safe.

WE RECOMMEND that the McNichols/Goddard District change the safe combination when there is a change in personnel.

CIMS/ASSIST Security

CIMS Security Agreements

4. McNichols/Goddard District did not have accurate, up-to-date CIMS Security Agreements (FIA-3974A) on file for all employees who access the Client Information Management System (CIMS), as required by L-Letter 97-063. Three out of 44 employees had a status code indicated on the FIA-3974A that did not agree with the current status code listed on the Operator Identification Report (PF-011). An accurately completed Security Agreement is necessary to document that the

employee understands the responsibilities associated with their CIMS access, and that the supervisor approves the level of CIMS access. In addition, eleven employees listed on the Operator Identification Report (PF-011) either have transferred out of the district or retired.

WE RECOMMEND that the McNichols/Goddard District ensure that all employees who have access to CIMS have an accurate, up-to-date Security Agreement on file.

WE FURTHER RECOMMEND that the McNichols/Goddard District remove all employees who terminated employment at the district from the PF-011 report.

ASSIST Enrollment Profiles

5. McNichols/Goddard District did not have accurate, up-to-date ASSIST Enrollment Profiles (FIA-3720) on file for all employees who have access to ASSIST as required by L-Letter 97-156. For 27 out of the 54 ASSIST Enrollment Profiles we reviewed, the job types indicated on the FIA-3720 did not agree with the current status code listed on the Monthly User Listing, ASSIST Report Number VB9-554. In addition, there were 9 employees listed on the VB9-554 Report who were no longer employed at the McNichols/Goddard District.

WE RECOMMEND that McNichols/Goddard District ensure that accurate, up-to-date Enrollment Profiles (FIA-3720's) are on file for all employees who have access to ASSIST.

WE FURTHER RECOMMEND that the McNichols/Goddard District remove employee access to ASSIST when they terminate employment at the District.

Security Officer's Log Reports

6. McNichols/Goddard District did not reconcile the CIMS Security Officer's Log Report (PD-180) to the Security Agreements (FIA-3974A's), or the ASSIST Security Officer's Log Report (VB9-173) to the ASSIST Enrollment Profiles, as recommended by the Primary Internal Control Criteria for Local/District Office Operations. Reconciliation of these reports ensures that all changes made are accurate and approved by supervision.

WE RECOMMEND that McNichols/Goddard District reconcile the PD-180 and VB9-173 reports to revised Security Agreements and Enrollment Profiles.

MA-010 Reconciliation - Supplemental Payments

7. McNichols/Goddard District did not reconcile a sample of the Supplemental Payments listed on the Transaction Control Listing (MA-010) or the Supplemental Payments Report (SP-270) to the Supplemental Payment Authorizations (FIA-13) and other supporting documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. The District has not reconciled the Supplemental Payments since June 2002. Reconciling a sample of the Supplemental Payments helps to ensure that the payments are accurate and appropriate.

WE RECOMMEND that McNichols/Goddard District reconcile a sample of the Supplemental Payments on the MA-010 or SP-270 Report to the FIA-13's and other supporting documentation.

MA-010 Reconciliation - Openings

8. McNichols/Goddard District did not reconcile a sample of new case openings listed on the Transaction Control Report (MA-010) to the casefile documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. A sample reconciliation of openings provides assurance that cases were opened by their assigned workers.

WE RECOMMEND that McNichols/Goddard District reconcile a sample of case openings on the MA-010 Report to the appropriate documentation in the case file.

Payment Authorization Files

9. McNichols/Goddard District did not maintain a file of Supplemental Payment Authorizations (FIA-13). Accounting Manual Item 404 requires that the permanent file of FIA-13's be kept in either alphabetical or case number order. Maintaining the FIA-13's in either alphabetical or case number order provides an audit trail to easily detect how many supplemental payments a client has received, and makes the FIA-13's easy to retrieve if needed at a later date.

WE RECOMMEND that McNichols/Goddard District maintain a permanent file of the FIA-13's in alpha order.

IRS Information Security

Follow-up of IRS Information

10. McNichols/Goddard District did not document the action taken on Unearned Income Notices (FIA-4487A) received from the Internal Revenue Service (IRS) on the Data Control Sheet (FIA-4488) for 61 out of 66 items reviewed. Program Administrative

Manual Item 803 states that the Designated Staff Person (DSP) at the local office is to document the action taken on the FIA-4488.

WE RECOMMEND that McNichols/Goddard District record the disposition of the items listed on the FIA-4488.

Backup Designated Staff Person

11. McNichols/Goddard District did not have a backup Designated Staff Person (DSP) for IRS Security. PAM Manual Item 803 requires the District to have a backup DSP in case information is received on a day when the DSP is out of the office.

WE RECOMMEND that McNichols/Goddard District appoint a backup DSP for IRS information security.

Payroll and Timekeeping

Reconciliation of HR-332A to the Turnaround HR-332A

12. McNichols/Goddard District did not reconcile the turnaround HR-332A to the original HR-332A report a week after the time was submitted. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper reconcile the turnaround HR-332A report to attest to the accuracy of the payroll.

WE RECOMMEND that McNichols/Goddard District have someone other than the timekeeper reconcile the original HR-332A report to the turnaround HR-332A report to verify the accuracy of the payroll.

Certification of Time Before Certifier Approves

13. McNichols/Goddard District had the timekeeper certify the payroll before the original HR-332A report was printed and signed by the certifier. The Primary Internal Control Criteria for Local/District Office Operations recommends the certifier approve the time before the timekeeper pushes the certify button to release the time, so that any unauthorized changes the timekeeper made after the HR-332A is certified would be detected.

WE RECOMMEND that McNichols/Goddard District have the certifier approve the time before it is released to DCDS.